

Message Text

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21

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

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FM AMCONSUL DHAHRAN

TO SECSTATE WASHDC 4886

INFO AMEMBASSY JIDDA

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E.O. 11652: N/A

TAGS: EFIN, ENRG, SA

SUBJECT: NOTES ON SAG FINANCIAL MATTERS AND ARAMCO'S GAS
GATHERING PROJECT

REF: JIDDA 5035, DHAHRAN 0847

1. SUSEQUENT TODRAFTING OF REF EMBTEL, CONGEN OFF SPOKE TO ARAMCO EXECUTIVE CONCERNED WITH FINANCIAL MANAGEMENT OF COMPANY (AND SUBORDINATE TO SOURCE CITED IN REF EMBTEL) WHO MAINTAINS GOOD ACCESS TO FINANCIAL WING OF SAG. HE EXPRESSED HIS PERSONAL CONCERN THAT SAG MAY BE COMMITTING ITSELF TO CAPITAL EXPENDITURE PROGRAM WHOSE MAGNITUDE CAN ONLY BE MEASURED TWO, THREE, FOUR YEARS AHEAD. HE REPORTS AS ACCURATE A SECOND-HAND STORY REGARDING MINISTER OF FINANCE ABA AL-KHAIL'S RECENT OBSERVATION THAT A HOSPITAL COMPLEX HAD ORIGINALLY BEEN PRICED OUT AT SR 120 MILLION AND NOW LOOKS TO COST SR 400 MILLION OR MORE. ABA AL-KHAIL SUPPOSEDLY CITED THIS AS EXAMPLE OF HOW HIS MINISTRY HAS NO WAY OF KNOWING WHAT FINAL PRICE TAG WILL BE ON CAPITAL PROJECTS AND COMPLAINED THAT MINFIN CANNOT PREPARE REALISTIC CAPITAL BUDGET TO COPE WITH SITUATION.

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(COMMENT: IT IS PROBABLY FOR THAT REASON THAT MINFIN NOW INSISTING

THAT BIDS ON UNIVERSITY OF PETROLEUM AND MINERALS HOUSING PROJECT BE BROKEN DOWN BY COMPONENTS IN ORDER TO GET BETTER HOLD ON CONSTRUCTION COSTS -- SEE DHAHRAN 0885).

2. ARAMCO EXECUTIVE ALSO DISCUSSED RECENT SAG BUDGET. HE DESCRIBED REVENUE ESTIMATES AS ACCURATE, BUT COMMENTED THAT EXPENDITURE SIDE OF BUDGET DEFIES ANALYSIS AS MINISTERIAL TOTALS DO NOT ADD UP TO BALANCED BUDGET THAT WAS ANNOUNCED BY SAG. HE AND OTHER ARAMCO EXECUTIVES ARE CONCERNED THAT THE BUDGET APPARENTLY DOES NOT INCLUDE LINE ITEM TO COVER ARAMCO CAPITAL SPENDING PROGRAM.

3. AS FOOTNOTE TO COMMENTS CONTAINED IN THAT PART OF EMBTEL WHICH DISCUSSED GAS GATHERING PROJECT (APRA 5), AN ARAMCO ECONOMIST DEEPLY INVOLVED IN WORK TO REVISE PROJECT COMMENTED ON JULY 20 THAT PETROMIN IS PROVIDING VARIOUS SCENARIOS AS TO HOW PROJECT IS TO BE COMPLETED. THESE SCENARIOS PROVIDE TIME SCHEDULES FOR SPECIFIC QUANTITIES OF GAS TO BE AVAILABLE TO INDUSTRIAL USERS AT JUBAIL AS WELL AS LNG DELIVERIES FOR EXPORT. WITH THESE OUTLINES OF PLANS, ARAMCO AND REPRESENTATIVES FOR THE FOUR OWNER COMPANIES ARE PREPARING VARIOUS CONSTRUCTION SCHEDULES AND COST ESTIMATE PROPOSALS. IT IS ALSO CLEAR FROM CONVERSATION THAT CONGENOFF HAD EARLIER WITH PETROMIN OFFICIAL MONITORING GAS GATHERING PROJECT, THAT ANY REDUCTION IN SIZE OF GAS GATHERING PROGRAM WOULD LIKELY RESULT IN CANCELLATION OF NATURAL GAS PIPELINE TO YENBO.

4. POST WISHES TO NOTE TWO ERRORS WHICH APPEAR IN PARA 3, EMBTEL (APPARENTLY AS RESULT OF GARBLE WHEN EMBASSY RETRANSMITTED OUR ORIGINAL MESSAGE). ARAMCO PAYMENTS TO SAG SHOULD BE IN BILLIONS OF US\$ AND NOT MILLIONS AS STATED IN REFTEL. JANUARY PAYMENTS BY ARAMCO SHOULD BE SHOWN AS 1.9 BILLION US\$ AND NOT 11.9 AS LISTED IN REFTEL.
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